Volume 12 No. 7, March 15, 2006

CHAIRMAN'S MESSAGE

After a slow start at the beginning of the dairy year, provincial production is trending upwards in the second half. Due to an unexpected surge in production, starting in December 2005, we were able to achieve our provincial 97% target. As a result, no provincial quota was suspended for the balance of the dairy year.

However, as we move into the last six month period, the province faces a new challenge. That is: to complete the year within our annual quota allocation. If current production trends continue, Saskatchewan runs the risk of over producing its annual quota allocation. To the end of January 2006, we produced 98.11% of our cumulative allocation. To the end of February, we shipped 99.18% of our cumulative allocation. At this rate, the gap between production and quota allocation is not only closing, but will likely surpass our allocation as we near the end of the dairy year.

Under the national quota management policy, provinces that over ship their annual allocation will find themselves in a "pre-fill" situation. This means that any production over 100% of the province's allocation will be counted as production in the next dairy year. This quota reduction in the new dairy year will be absorbed by those producers who end the year in an over production situation. Moreover, any 4m dollars held by the Board at year-end will not be allocated until the end of the next dairy year provided the province is able to get its production back in line with its allocation for the year.

A further challenge facing the Canadian dairy industry is how best to respond to the shrinking demand for our milk in the domestic market. A number of factors are driving this reduced demand, and priority has been given to develop and implement strategies to address this critical issue at the national level. It is timely that we consult with producers during our April country meetings to obtain your views on options which are still in the formative stage.

The Board and DFS look forward to good discussions and suggestions from these meetings. We urge you to attend the meeting in your area and make your views known on this and other issues of concern to producers.

Leonard Blocka
Chairman

QUOTA EXCHANGE

The seventh butterfat Quota Exchange of the 2005-2006 dairy year was conducted on March 15, 2006. The market-clearing price for Unused Quota Exchange was **$72.00**. The market-clearing price established for Used quota was **$66.01.** The results of the March 2006 Quota Exchange are outlined in the following Tables.

The next monthly Quota Exchange for the 2005-2006 dairy year will be held on April 17, 2006. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, April 6, 2006. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase. To determine the clearing price of Total Production Quota, the bids to buy may be adjusted to five percent of annual production quota issued. This is necessary to avoid price distortion from excessively large bids.

TABLE I

UNUSED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
58.50	1	1	800	800	-18,660	19,460	0	16	0
65.00	1	2	500	1,300	-18,160	19,460	0	16	0
66.50	0	2	0	1,300	-18,160	19,460	2,000	16	1
67.25	0	2	0	1,300	-16,160	17,460	2,000	15	1
70.00	0	2	0	1,300	-14,160	15,460	2,200	14	2
70.01	0	2	0	1,300	-11,960	13,260	1,200	12	1
70.11	0	2	0	1,300	-10,760	12,060	1,130	11	1
70.16	0	2	0	1,300	-9,630	10,930	1,130	10	1
71.00	0	2	0	1,300	-8,500	9,800	600	9	1
71.25	0	2	0	1,300	-7,900	9,200	1,000	8	1
72.00	**1**	**3**	**6,500**	**7,800**	**-400**	**8,200**	**2,100**	**7**	**2**
72.12	0	3	0	7,800	1,700	6,100	700	5	1
72.50	0	3	0	7,800	2,400	5,400	1,200	4	1
75.00	1	4	306	8,106	3,906	4,200	1,000	3	1
75.01	0	4	0	8,106	4,906	3,200	1,200	2	1
76.00	0	4	0	8,106	6,106	2,000	2,000	1	1

UNUSED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ 72.00**
Kilograms offered to Purchase – total	**19,460**
Kilograms offered to purchase at 5% adjustment	
Kilograms offered to Sell	**8,106**
Kilograms sold	**7,800**
Number of Producers	
- offered to purchase	**16**
- purchased quota	**7**
- offered to sell	**4**
- sold quota	**3**

TABLE II

USED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ 66.01**
Kilograms offered to Purchase – total	**7,200**
Kilograms offered to Sell	**319**
Kilograms sold	**319**
Number of Producers	
- offered to purchase	**5**
- purchased quota	**1**
- offered to sell	**1**
- sold quota	**1**

USED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
58.26	0	0	0	0	-7,200	7,200	2,000	5	1
60.00	0	0	0	0	-5,200	5,200	400	4	1
63.00	0	0	0	0	-4,800	4,800	200	3	1
65.00	1	1	319	319	-4,281	4,600	600	2	1
66.01	**0**	**1**	**0**	**319**	**-3,681**	**4,000**	**4,000**	**1**	**1**

QUOTA SWAP EXCHANGE

The Quota Swap Exchange was conducted on March 15, 2006. There was no market-clearing price established. The results of the Quota Swap Exchange are outlined in the following Table.

The next monthly Quota Swap Exchange will be held on April 17, 2006. All offers to swap quota through the Quota Swap Exchange must be received at the Board office by midnight, April 6, 2006. **The Board recommends that offers and bids to swap be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.**

Just a reminder to producers that when making bids on the Quota Swap Exchange, the price on offers to swap out unused quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Quota Swap Exchange.

Conversely, the price on offers to swap in unused quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Quota Swap Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered to swap out and the accumulated volume offered to swap-in.

TABLE III

QUOTA SWAP EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$——**
Kilograms offered to swap in	**42,000**
Kilograms offered to swap out	**0**
Kilograms swapped	**0**
Number of Producers	
- offered to swap in	**9**
- swapped in quota	**0**
- offered to swap out	**0**
- swapped out quota	**0**

QUOTA SWAP EXCHANGE

Price ($/kg b.f.)	No. of Sellers (swap out)	Cumulative Sellers (swap out)	Kgs b.f. offered to swap out	Cumulative swaps out	Cumulative swaps out less Cumulative swaps in	Cumulative purchases (swap in)	Kgs b.f. offered to swap in	Cumulative Buyers (swap in)	No. of buyers (swap in)
3.50	0	0	0	0	-42,000	42,000	5,500	9	2
4.50	0	0	0	0	-36,500	36,500	1,000	7	1
5.00	0	0	0	0	-35,500	35,500	1,000	6	1
6.00	0	0	0	0	-34,500	34,500	2,500	5	2
6.50	0	0	0	0	-32,000	32,000	10,000	3	1
7.26	0	0	0	0	-22,000	22,000	2,000	2	1
7.50	0	0	0	0	-20,000	20,000	20,000	1	1

BUTTERFAT PRODUCTION AND COMPONENT PRICING, FEBRUARY 2006

Butterfat production for February, 2006 totalled approximately 668,413 kilograms. This was approximately 5.05% higher than February, 2005 shipments. **For the first seven months of the 2005-2006 dairy year, Saskatchewan's allocation of Total Production Quota totalled approximately 4,827,607 kilograms. Cumulatively, in the first seven months, the province has shipped 99.18% of that amount.**

The weighted average component tests and prices for the province in February are indicated in Table IV.

TABLE IV

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.8038	$10.2467
Protein	3.3549	$7.2466
Other Solids (S.N.F.)	5.7101	$1.0644

Based on the average component tests for the province, the average price received was $69.3656 per hectolitre.

Dairy year to date 4m (over quota) holdings are $2,620,426

SASKATCHEWAN MILK POOL RESULTS February 2006

TABLE V

Milk Sale Revenue	$ 12,655,304.25
Western Milk Pool	$ - 369,191.76
Dairy Farmers of Canada Skim Off	$ -18,001.16
Plant of Last Resort Service	$ -64,727.69
Total Pool Value	**$ 12,203,383.64**

CANADIAN DEMAND FOR INDUSTRIAL MILK (MSQ)

The Canadian Dairy Commission (CDC) calculates the monthly demand for milk used in the manufacture of industrial milk products. At the February 15, 2006 meeting of the Canadian Milk Supply Management Committee (CMSMC), the members agreed to modify the basis for calculating the formula to include variations in butter stocks held by the CDC and processors together with changes in national demand, to form the basis of the trigger mechanism used to adjust the industrial portion of producer's quota (MSQ). A similar trigger mechanism is employed at the regional level to adjust the fluid portion of producers' fluid quota. Together, the fluid and industrial quotas represent the total production quota (TPQ) held by individual producers at any one time.

The CMSMC members also agreed to base changes in MSQ for individual producers on the demand base results on a two month block rather than following two consecutive monthly changes. That is, if January and February results are greater than 0.50% (plus or minus), quotas will be increased or decreased on April 1st based on the amount of change experienced over the two month period. The quota calculations are managed by the CDC, who determines a final adjustment in MSQ for individual provinces, taking into account factors such as skim off, domestic requirements and exports. The CDC then calculates a new TPQ for each province, which is then reflected on individual producer's Total Production Quota. Similarly, then, March and April results will determine if quota adjustments are required on June 1st.

January, 2006 results indicate a -3.49% in demand. The Board will continue to provide producers with the monthly results and any quota adjustments resulting from changes in demand for milk used to manufacture industrial milk products. .

ACCOUNTING VALUES FOR CLASSES OF MILK – March 2006

TABLE VI

	Butterfat ($/kg)	**(per hl. Skim milk**	
Class 1a	$5.3000	$51.59 (per hl. Skim milk)	
Class 1b	$5.3000	$51.59 (per hl. Skim milk)	
Class 1c	$5.3000	$44.50 (per hl. Skim milk)	
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.2333	$5.3140	$5.3140
Class 3a	$7.2333	$12.4158	$0.8291
Class 3b	$7.2333	$12.1853	$0.8145
Class 4a, 4b, 4d & 4d(i)	$7.2333	$4.9346	$4.9346
Class 4a(i)	$7.2333	$1.5000	$1.5000
Class 4c	$7.2333	$4.2497	$4.2497
Class 4m	$0.00	$0.00	$0.00
Class 5a	$3.7465	$5.7851	$0.4952
Class 5b	$3.7465	$2.0748	$2.0748
Class 5c	$3.3740	$2.0000	$2.0000
Class 5d	**As determined by**	**the CDC**	

CLASS I PRICE INCREASE – April 1, 2006

The Alberta Cost of Production formula is the pricing mechanism for targeting the Western Milk Pool Class 1 price. The Alberta Energy and Utilities Board (AEUB) consider this formula a useful guide to assist it in the exercise of its discretion in prescribing the minimum price of Class 1 milk. On March 7, 2006, the AEUB announced the price for Class 1 milk in Alberta increased by $0.98 per hl. Accordingly, Saskatchewan will increase the Class 1 price by $0.98 per hl. effective April 1, 2006.

QUOTA MANAGEMENT TABLES

Please find enclosed your quota management results for February, 2006. These Tables indicate the percentage of each producer's quota allocation utilized as well as the kilograms of butterfat produced by these shipments.

The Board will continue to provide these Tables on a monthly basis. We hope this information will assist producers with their management decisions regarding the utilization of their butterfat quota.

If you have any questions concerning the information provided, please contact our office.

JOINT MILK CONTROL BOARD/DAIRY FARMERS OF SASKATCHEWAN PRODUCER MEETINGS – APRIL 2006

The Board and DFS are pleased to announce that they will once again hold the next session of producer meetings as a joint effort. The Board will provide its presentation, including up to date market and production information, at each meeting. The schedule of meetings and proposed agenda are included at the back of this newsletter. Please plan to attend.

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows or swap quota is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

Would like to swap Used Quota for Unused Quota – Swap In

- D & D Dairies – approximately 2,000 kgs. – contact Stuart Murray 675-4887 or Rene Dubreuil (306) 795-2976.
- Simmie Colony – approximately 1,500 kgs. – contact Jerry (306) 297-2254
- Carl Ens – (306) 239-4255 Cell Phone: (306) 221-2445
- Broyhill Holsteins – contact Joy Lindenbach (306) 771-2721
- Ian Phillips – (306) 933-4567
- Approximately 2,000 kgs - Ken Klassen (306) 229-4591 or Ed Klassen (306) 227-9432
- Marksview Farms – approximately 5,000 kgs – contact Dick Friesen (306) 933-4610
- Swift Current Colony – contact Josh (306) 778-2327
- Webb Colony – approximately 1,100 kgs. – contact Mike Hofer (306) 674-2236
- Leask Colony – approximately 2,500 kgs. – contact Darius Wallman Cell Phone (306) 466-7713 or (306) 466-2303 extension 116.
- Alvin Schultz – approximately 2,000 kgs. – phone (306) 254-4301

- Jake or Les Sawatsky - approximately 9,000 kgs. - phone (306) 225-5883.
- Glenn Hamm - phone (306) 594-2855.
- Tim at Sovereign Colony - 3000 kgs - phone (306) 882-2447
- Danny Hofer at Box Elder Colony – phone (403) 502-9997.
- Philip at Rosetown Colony - phone (306) 882-3112, Extension 709
- Jim Ross - phone (306) 697-2232
- Jim Gorrill – phone (306) 725-4828
- Paul – phone (306) 677-2232 Extension 6315
- Florian Hagman – phone (306) 749-2879
- Roger Genoway – phone (306) 593-2289
- Leask Colony – Darius Wollman – phone (306) 466-2303 Extension 116 or Cell phone (306) 466-7713 (approximately 3,000 kgs)
- Robert Coghill – phone (306) 699-7237
- Stan Sinclair – phone (306) 332-4220
- Sand Lake Colony – Joe or Willie – phone (306) 298-2068
- Kevin Flath – phone (306) 549-2129 (approximately 1000 kgs)
- Craig Krasowski – phone (306) 783-0396

For Sale

- 12 bred grade Holstein heifers for sale, some due to calve shortly. Contact Dave Friesen @ (306) 225-4601.
- Holstein cows and quota. Call Perry or Preston Haanen @ (306) 329-4604 or 329-4981
- Quota and cows for sale (approx. 14,000 kgs). Call Jerome Fisher @ (306) 365-4674
- Quota for Sale. Call Glen or Joy Hamm @ (306) 594-2855
- Fresh Purebred supervised DHI cows and heifers -contact Mark Johnson (306) 725-4042
- Dairy Hay and 6 Holstein heifers to calve in October or November
  - contact Martin Sondergaard (306) 547-2205

- 17 two year old A.I. sired Holstein Heifers to start calving October 1
  - contact Del Mealing (306) 693-2543 cell (306) 681-8207

- 20 head of young Holstein cows and bred heifers and 4 breeding age bulls
  - contact Les Fornwald at (306) 487-2784

- A Westfalian Systemat Tank 1000 gallon
  - contact Earl or Scott at Eaglewood Holsteins at (306) 329-4394

- 12 bred Holstein heifers to calve May and June
  - contact Robert or Dorothy Scheidt at (306) 748-2817

- 6 bred heifers due to calve starting April 1st
  - contact Del Mealing at 693-2543 or 681-8207

MILK CONTROL BOARD MEMBERS

Leonard Blocka, Chairman	Dairy producer
Dr. David Christensen	Dairy research/professor U of S
Joseph Guenther	Dairy producer
David Finlay	Dairy producer
Garf Stevenson	Consumer representative
Joanne Mortenson	Processor representative

For further information, please contact the Saskatchewan Milk Control Board office.

1210-2500 Victoria Avenue Telephone (306) 787-5319
Regina, Saskatchewan S4P 3X2 Fax: (306) 787-1988

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NOTICE OF MEETINGS
SPONSORED BY
THE SASKATCHEWAN MILK CONTROL BOARD
AND DAIRY FARMERS OF SASKATCHEWAN
APRIL 6 – 12, 2006

JOINT MEETING AGENDA

1. Registration – 9:45 a.m. (Saskatoon meeting 9:15 a.m.)

2. Update: Markets and Production – Milk Control Board

3. Review of Milk Control Board Quota Policy – 2005/2006 Dairy Year

4. Dairy Farmers of Saskatchewan Update – E. Marquette and W. Kelly

5. Dairy Farmers of Saskatchewan Director Candidates

6. Question Period

7. Other Business

8. Adjourn

Lunch will be served at 12 noon at all meetings.

SCHEDULE OF MEETINGS – APRIL 2006

DATE	TIME	DISTRICT	LOCATION
Thursday, April 6	10:00 a.m.	Swift Current	F.O.A. Eagles 1910 S. Service Rd. W Swift Current
Friday, April 7	10:00 a.m.	Francis	Francis Hall, Francis
Monday, April 10	10:00 a.m.	Yorkton	St. Mary's Parish Ukrainian Catholic Cultural Center 240 Wellington St. Yorkton
Tuesday, April 11	**9:30 a.m.**	Saskatoon	Travelodge Hotel Delta Concorde Room 106 Circle Drive Saskatoon
Wednesday, April 12	10:00 a.m.	Melfort	Travelodge Hotel 101 Spruce Haven Road Melfort